

# EXECUTIVE SECRETARIAT

## Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI			8 OCT 1982	<i>WJC</i>
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5	DDI	✓			
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17	SA/IA		✓		
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Remarks:

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State Dept. review completed

Executive Secretary

*Handwritten:* 10/17/82

Date

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## DEPARTMENT OF STATE

Washington, D.C. 20520

Executive Registry

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**With SECRET Attachment**

October 6, 1982

**TO:** OVP - Mr. Donald Gregg  
 NSC - COL Michael Wheeler  
 DOD - COL John Stanford  
 JCS - MAJ Dennis Stanley  
 OMB - Mr. Alton Keel  
 CIA - [REDACTED]  
 Treasury - Mr. David Pickford  
 AID - Mr. Gerald Pagano

**SUBJECT:** Papers for Interagency Steering Group  
 on Lebanon

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Attached for your use are the status reports prepared  
 by the Interagency Steering Group on Lebanon and transmitted  
 yesterday to the White House.

L. Paul Bremer, III  
 Executive Secretary

Attachments:

As stated.

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## LEBANON'S POLITICAL SITUATION

Amin Gemayel, older brother of the late Bashir Gemayel, was voted into office with a broad mandate from all of Lebanon's communities. Most of the opposition Bashir faced, including Lebanon's Sunni Muslims, has set aside earlier objections and appear prepared to work with Amin in restoring strength and authority to the central government. Much will depend on Amin Gemayel's ability to manage the relationship with Israel and to control the Phalange militia.

Amin represents the political side of the Gemayel family; he has never been a strong figure in the Phalange militia, unlike his brother Bashir who drew his strength from that organization. Amin thus is more acceptable to the Muslims, but he may also be less able to control the Maronite hardliners in the Phalange, who view him as weak. In fact, there is some evidence that the Israelis may be exploiting their own channels to the militia in order to promote their interests in Lebanon. Despite substantial evidence of a Phalange role in the Sabra and Shatila massacre, most Lebanese have apparently chosen not to implicate Amin in the killings, preferring instead to lay the blame on Israel and the Israeli-controlled "de facto forces" of Sa'ad Haddad.

The effort of the Government of Lebanon to reestablish its authority in Beirut has been set back by the Israeli invasion of West Beirut. Following Israeli redeployment out of the city, the government of Lebanon has declared Beirut an open city, doing away with the dividing line between predominantly Christian East Beirut and mainly Muslim West Beirut. Lebanese security units now control the city, supplemented by the Multinational Force.

Continued Israeli insistence on negotiations with Lebanon for a peace treaty will have the effect of undercutting Amin's legitimacy with Lebanon's Muslims and the most important Arab states, such as Saudi Arabia, almost all of whom oppose any early treaty. Amin Gemayel has appealed for U.S. support in keeping his distance from the Israeli embrace, which he believes works against the interest of national unity and reconciliation at this time. It also works against our efforts to get the major Arab donor states to play the leading role in funding the reconstruction of Lebanon.

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**SECRET****LEBANON'S ECONOMIC SITUATION**

The Israeli invasion was preceded by seven years of civil conflict. Basic infrastructure has been widely damaged and economic activity disrupted in southern Lebanon and notably Beirut where one-third of Lebanon's three million people reside. West Beirut in particular is where most of Lebanon's excellent schools, hospitals, hotels and commercial facilities are located--major elements in the dominant services sector which accounts for two-thirds of economic activity. The important tourism and transport sectors--chiefly the re-export of goods to other Arab countries--are essentially shut down. Total reconstruction needs will run into the billions of dollars--\$24 billion, according to Lebanese authorities. Much of this will come from the Lebanese private sector, supplemented by aid from the U.S. and other industrial countries, and most importantly from wealthy Arab donors.

While port and airport facilities can be readily repaired, more severe damage was done to housing, commercial facilities, schools, hospitals, sanitation, and roads in both rural and urban areas. One-fourth of West Beirut buildings are severely damaged or destroyed, primarily in the southern sector where essential services remain disrupted and a health hazard exists. The southern cities of Sidon and Tyre also suffered heavily. Palestinian refugee camps in the south were almost completely destroyed, leaving 60,000 homeless. Beirut, nevertheless, retains much of its appeal as a regional financial and commercial center, though unlikely to regain its predominant position in the Arab world.

Most of the few large industries were undamaged, except the Sidon refinery and oil pipeline terminal, which supplied a third of Lebanon's petroleum needs. Smaller enterprises in West Beirut and the south suffered damage and looting. Substantial agricultural output losses have resulted in the south and the Bekaa Valley, and prices suffer from the influx of Israeli produce.

Lebanon receives financial flows of worker remittances from Arab oil producing states, profits from overseas Lebanese firms, official aid, and subsidies to political and military groups. These funds have offset Lebanon's usual trade deficit (\$1.4 billion in 1981) and have contributed to official reserves of several billion dollars in foreign currencies and gold.

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Abundant liquidity in the banking system has financed budget deficits, which were incurred partly as a result of the government's loss of control of tax and customs revenues. Because of unstable security conditions, this liquidity has supported private speculation in land and foreign exchange rather than productive investment. With political stability, the entrepreneurial skills of a resilient and hard-working people and a strong private sector tradition can help the economy to recover and grow.

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**SECRET****THE U.S. ROLE IN RELIEF, REHABILITATION AND RECONSTRUCTION**

AID Administrator McPherson, the President's coordinator for Lebanon relief and reconstruction, visited Lebanon twice this summer, meeting with key officials (including President-elect Gemayel), to demonstrate American concern and to assess reconstruction needs. To date we have committed over \$13 million to emergency relief and rehabilitation needs. In addition, we have received appropriations totaling \$50 million for relief and rehabilitation and AID has reprogrammed \$30 million of housing guarantees to aid in reconstruction. Thus, the total U.S. commitment to date, including reprogramming of existing funds, amounts to \$107.5 million. Central to our relief and reconstruction assistance is the underlying objective of strengthening the Lebanese government.

The U.S. has taken the lead in strongly encouraging the World Bank to assume an active and early leadership role in order to leverage other donor resources. At our urging, both the President and President-elect of Lebanon have formally asked the IBRD to put together a consultative group for Lebanon and send out an assessment team. At the IMF/IBRD meeting in Toronto, U.S. officials spoke with potential donor representatives, most of whom expressed a willingness to support this initiative. The Arabs, however, are holding back making commitments until they are more sure of prospects of Israeli withdrawal and that Amin will not be forced to conclude an early treaty with Israel.

AID is establishing a non-governmental Private Sector Task Force to mobilize investment for Lebanon and help strengthen Lebanese capacity for reconstruction. We are currently identifying a coordinating mechanism and selecting members of the Task Force, some of whom will be Lebanese-Americans. We are also facilitating the creation of another non-governmental business group to mobilize resources to support people-to-people initiatives for reconstruction and relief activities.

Based on our findings in Lebanon, the \$50 million appropriated by Congress is tentatively allocated as follows:

\$10 million for the American University of Beirut and hospital (earmarked by Congress);

\$1.9 million for Beirut University College (urged by Senator Hatfield);

\$10 million for relief and essential life supporting public services in West Beirut;

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\$14 million for relief activities, including international needs and help to the Palestinians;

\$10 million as a U.S. contribution to UNICEF to implement Lebanese rehabilitation of essential public services in South Lebanon and West Beirut;

\$4.1 million contingency fund to provide flexibility in meeting unforeseen needs.

We have reprogrammed an additional \$14.5 million in State Department Migration and Refugee Assistance funds for UNRWA, the UN agency caring for the 150,000 needy Palestinian refugees in Lebanon.

The \$30 million in AID's Housing Investment Guaranty loans will finance the rehabilitation and installation of housing or related water and sewage systems. We plan to finance infrastructure assistance to the Government of Lebanon through the Council for Development and Reconstruction (CDR), the government agency responsible for rehabilitation, planning and carrying out this effort. We also plan to finance technical assistance for CDR's reconstruction planning.

The evacuation of the PLO and the election of Amin Gemayel will not in itself bring to Lebanon the environment needed to mount an effective aid and private sector program. While the U.S. may be willing to work in less than optimum political and security circumstances--notably the presence of foreign forces--other donors and private sector businesses may be more cautious. These uncertainties will affect the scope, composition and location of our activities.

Near total destruction of the refugee camps in South Lebanon has left homeless some 60,000 Palestinians. Most of these people found temporary refuge in vacant schools and among ruins. Many, however, are camping in the open. Work must begin immediately to clear the rubble and erect 10,000 tents for the homeless to withstand the winter in their former camps.

We have urged UNRWA to begin work as soon as possible. AID Administrator McPherson has discussed the matter directly with UNRWA Commissioner General Rydbeck. UNRWA has obtained Lebanese government acquiescence to begin rubble clearance

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operations in the camps in southern Lebanon so that tents can be erected. Work is due to begin on October 4. Prime Minister Begin has assured us that the Israeli Defense Forces will ensure the security of UNRWA operations in the part of Lebanon under Israeli military control.

The Israelis have been pressuring the Lebanese to disperse the refugees from camps in the South and to resettle and assimilate them into Lebanese society. The Israelis and Lebanese realize the political and economic difficulties this involves, particularly after the Beirut massacre, and are evidently willing to see the camps used as temporary facilities--but not rebuilt--until next spring. The disposition of the refugees in Lebanon, therefore, will likely remain a matter of controversy. The immediate problem, of course, is to provide tents so that there will not be widespread suffering from exposure by thousands of women and children.

It appears likely that additional relief and rehabilitation resources will be needed in FY 83. One uncertainty is the extent and timing of other donor contributions. Other issues relate to the unassessed rehabilitation needs of West Beirut and the decision on how and when we can phase out funding of emergency relief operations altogether.



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## INTERNATIONAL COORDINATION OF LEBANON RECONSTRUCTION

Considerable progress was made at the Toronto World Bank/IMF meetings September 3-9 in mobilizing an international effort for Lebanon reconstruction. During the discussions, a formal request from the Lebanese government was received by the Bank to assess Lebanon's reconstruction needs and to consider convening a consultative group of potential donors to finance reconstruction. The Bank announced that it had agreed to this request.

Treasury Assistant Secretary Leland secured general support from his G-6 counterparts for World Bank leadership in the reconstruction effort and for creation of an IBRD-chaired Consultative Group for that purpose. The French were particularly enthusiastic about this mechanism. Secretary Regan raised the issue with both Saudi and Kuwaiti Ministers. The Saudis were mildly supportive but cautious; subsequently King Fahd declared Saudi support for Lebanon reconstruction in a major policy address. The Kuwaitis were cooler to the idea and non-committal. Minister Al Hamad saw the usefulness of such a mechanism, but citing the political nature of such a decision, wished to await the conclusion of the Fes Summit before expressing Kuwait's position. Kuwait would neither support nor oppose the proposal at this time.

A general agreement was reached with World Bank President Clausen at a G-6 (plus Kuwait) luncheon (the Saudi Minister had already left town) to start setting up the framework for a Bank-led reconstruction effort with the Bank sending a reconnaissance mission to Lebanon to assess overall and sectoral needs. This is now planned for late October.

The Bank mission expects to produce a report comprehensive enough for donors to respond to although its scope will depend on the ability of the team to move throughout the country. The Bank is looking for significant indication of donor interest before convening a donor meeting focussed on overall assistance needs. A donor meeting might be possible in December if the Mission report is completed by end-November. Subsequent Bank missions would explore specific project funding requirements for presentation to possible donors. The Bank has in the past stated that it will not itself get involved in new lending until there is adequate security in country and foreign troops are at least in the process of withdrawal.

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## SECURITY ASSISTANCE TO LEBANON

The U.S. considers the establishment of a strong central government in Lebanon, capable of extending its authority within all areas of the country, to be a major policy goal in the Middle East. Serious obstacles to the achievement of this goal exist in the form of factional militias and foreign military forces, which continue to control various portions of the country. Our security assistance efforts are intended to help revitalize the Lebanese Armed Forces (LAF) as a multi-confessional and apolitical extension of central government authority throughout Lebanon.

Since 1978, the Department of Defense has worked to reconstitute the LAF. At that time a Defense Survey Team assessed the requirements of the LAF. A new Defense Requirements Survey Team will go to Lebanon on or about 2 October to assess the capability of the LAF to carry out its mission of providing internal security and extending governmental authority throughout Lebanon. The team will look at the LAF's equipment and training requirements, organization, and ability to absorb additional U.S. equipment and training.

After the outbreak of war in early June, the GOL requested expedited delivery of a number of items already on order. Prompt action was taken to expedite deliveries, and shipping delays were resolved. A major shipment departed the U.S. for Lebanon on September 7, 1982. During Secretary Weinberger's September 1 visit to Beirut, a request was made by the GOL for immediate shipment of radio communications equipment to help the LAF carry out its task of deploying into West Beirut. The equipment was quickly located, LOAs were prepared and signed, and transportation was arranged. Initial delivery to Beirut occurred less than 28 hours after the request was made, with final delivery by 5 September.

A U.S. Navy Mobile Training Team has been dispatched to Lebanon to train LAF personnel in explosive ordnance disposal techniques.

During the Habib mission this summer, the Government of Lebanon requested a number of major equipment items, including M48A5 tanks, armored cars, trucks, jeeps, TOW launchers and missiles, machine guns and recoilless rifles. Political considerations, as well as the findings of the Survey Team, will be important factors in deciding upon any major items for the LAF.

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Our proposed FY 83 level of FMS Credit aid to Lebanon is \$15 million, an increase of \$5 million over the FY 82 level. While this reverses a decline in U.S. assistance in recent years--\$42.5 million in 1979, \$22 million in 1980, \$20 million in 1981, and \$10 million in 1982--we will consider even higher levels of funding. For near-term financing requirements, the Government of Lebanon has over \$30 million in available FMS credits--\$20.8 million in unobligated FY 80-81 funds, and \$10 million in unprogrammed FY 82 funds.

Taking into consideration the Defense Requirements Survey Team report, we will develop recommendations for sourcing and financing the recommended equipment and training, and establish a schedule for providing this assistance.

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**SECRET****PROBLEMS OF PEACEKEEPING IN SOUTHERN LEBANON**

The success of any effort to negotiate an Israeli withdrawal from Lebanon will hinge largely upon the peacekeeping arrangements established in the south. Israel will not withdraw its troops unless it is convinced that an effective authority exists in the area that can protect northern Galilee from the harassments by artillery and sabotage that plagued the Israelis in the past. Eventually, of course, the Lebanese government may be looked to for such protection, but it will be some time before that government is strong enough in southern Lebanon to fulfill this role unassisted.

Israel's preferred method of ensuring interim security along its northern border may be to preserve intact the militia of the breakaway Lebanese major, Saad Haddad, whose men have held an Israeli-oriented strip of Lebanese territory along the border for the last several years ("Haddadland"). Perhaps in tandem with other pro-Israeli militias and with a cosmetic connection to the central Lebanese government, Haddad's force may seek to stay in place and even expand in territory as Israel departs. It is certain that Amin Gemayel, the new Lebanese President, will be unwilling to play this game. It contradicts his (and our) expressed policy of building an integrated central government. It would also be unacceptable to Lebanese Muslims and the other Arab parties whose agreement must be won on the terms for a Syrian withdrawal.

The obvious way out of this difficulty is, while insisting on the dissolution of Haddad's militia, to set up an international force that is strong enough to provide the needed security, working jointly with an increasingly assertive Lebanese government. Such a force could be formed either under UN auspices or on an ad hoc multinational basis. Israel would probably prefer the latter, as in Sinai. Israel would seek a U.S. role in such a force.

State and DOD are working on a study analyzing a wide range of options for a peacekeeping force (PKF) in Lebanon. The study will look at the possible mission of a PKF, the role of the Lebanese Armed Forces (LAF), PKF composition, options for PKF disposition, potential force contributors and preconditions for the introduction of a PKF. The study will make no prejudgements regarding the desirability of establishing a UN force or an ad hoc multinational force such as the MNF.

The UN Security Council, with our support, has preserved

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the mandate of the existing United Nations Interim Force in Lebanon (UNIFIL) on a temporary basis, in order to keep it alive as a peacekeeping option. Its mandate will expire on October 19. Based upon our conversations with UN officials, we are optimistic about the prospects of another two month extension of UNIFIL. If UNIFIL is to be credible in protecting northern Israel, however, it must be considerably strengthened. This is one of the options that State and DOD are studying.

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